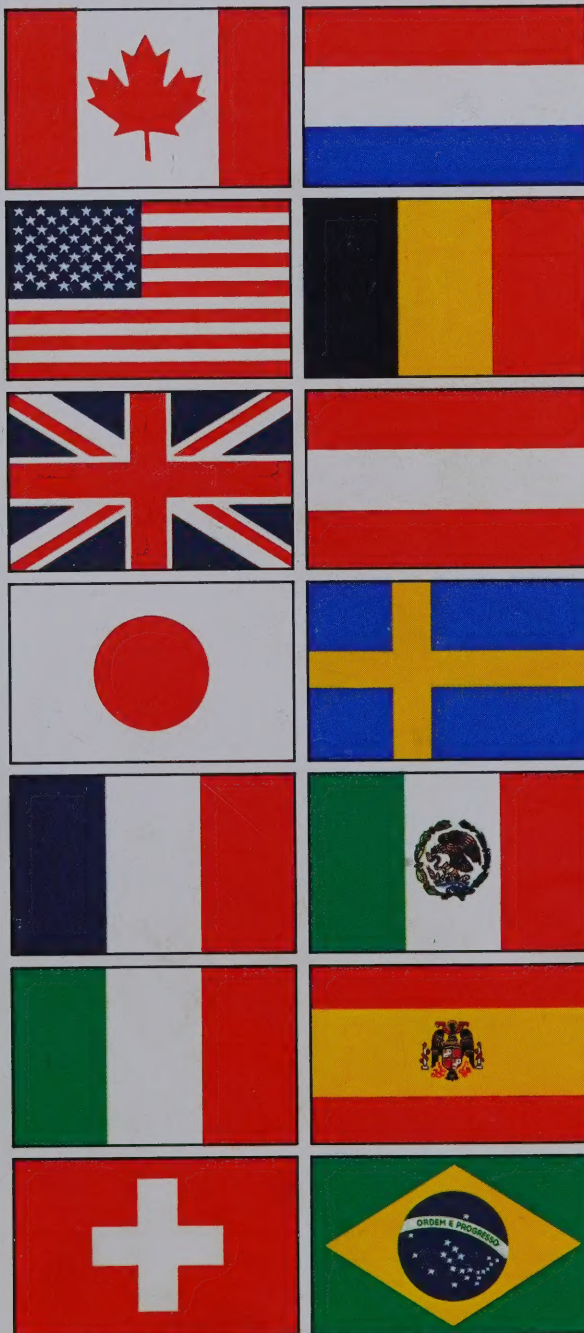


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File



The flags reproduced on the cover represent the fourteen countries in which the Polysar Group of Companies is located. These are as follows:

<i>Canada</i>	<i>The Netherlands</i>
<i>United States</i>	<i>Belgium</i>
<i>United Kingdom</i>	<i>Austria</i>
<i>Japan</i>	<i>Sweden</i>
<i>France</i>	<i>Mexico</i>
<i>Italy</i>	<i>Spain</i>
<i>Switzerland</i>	<i>Brazil</i>

Throughout this report are depicted the flags of the 50 countries in which there is a resident distributor of POLYSAR products. Many of these distributors also trade in countries whose flags are not shown.

Pour obtenir l'édition française du présent rapport, on est prié d'écrire à:
Polysar Limitée
Secrétariat
Sarnia, Ontario, Canada.

THE POLYSAR GROUP OF COMPANIES

CANADA

POLYSAR LIMITED

Sarnia, Ontario

Corporate headquarters; manufacturer of rubbers, latices and petrochemicals

Building Systems Division

Toronto, Ontario

Builder and developer of systems housing

COM-SHARE LIMITED

Rexdale, Ontario

Computer services

POLYSAR PLASTICS LIMITED

Cambridge, Ontario

Manufacturer of polystyrene resins and plastic containers

TRENT RUBBER SERVICES LIMITED

Lindsay, Ontario

Manufacturer of inner tubes; provides services to the rubber fabricating industry

UNITED STATES

POLYSAR INCORPORATED

Akron, Ohio

Marketer of POLYSAR products in the United States

POLYSAR LATEX INC.

Chattanooga, Tennessee

Manufacturer and marketer of latices in the United States

POLYSAR PLASTICS INC.

Stamford, Connecticut

Executive and administrative offices of the Plastics group of companies

Polytherm Division

Middletown, New York

Manufacturer of disposable polystyrene foam articles for the food packaging industry

Decorative Components Division

Forest City, North Carolina

Manufacturer of injection moulded furniture components

The year in brief

SOLAR CHEMICAL CORPORATION

Leominster, Massachusetts
Manufacturer of polystyrene resins

MAMMOTH PLASTICS INC.

Wellsburg, West Virginia
Manufacturer of plastic containers
for the food and other industries

EUROPE AND REST OF WORLD

POLYSAR EUROPA S.A.

Brussels, Belgium
Headquarters for Europe and Rest of World
operations of the Polysar Group of Companies

COM-SHARE LIMITED

London, England
Computer services

IMPORTADORA CANADA S.A. de C.V.

Mexico City, Mexico
Marketer of POLYSAR products in Mexico

POLYMER CORPORATION (SAF)

La Wantzenau (Bas-Rhin), France
Manufacturer of rubbers and latices

POLYSAR BELGIUM N.V.

Antwerp, Belgium
Manufacturer of rubbers

POLYSAR HANDELMAATSCHAPPIJ N.V.

Amsterdam, The Netherlands
Licensing company

POLYSAR INTERNATIONAL S.A.

Fribourg, Switzerland
World-wide marketer of POLYSAR products;
licensing company

TECHNICAL SERVICE OFFICES:

Vienna, Austria
Sao Paulo, Brazil
Tokyo, Japan
Mexico City, Mexico
Barcelona, Spain

POLYSAR ITALIANA S.p.A.

Milan, Italy
Marketer of POLYSAR products in Italy

POLYSAR NEDERLAND N.V.

Amsterdam, The Netherlands
Investment company

POLYSAR SKANDINAVISKA A.B.

Goteborg, Sweden
Marketer of POLYSAR products in
Scandinavian countries

POLYSAR TECHNICAL SERVICE CENTRE N.V.

Antwerp, Belgium
Technical service laboratories

POLYSAR (U.K.) LIMITED

London, England
Marketer of POLYSAR products in
the United Kingdom

SOCIETE FRANCAISE POLYSAR

Paris, France
Marketer of POLYSAR products in France

SYNTHETIC ELASTOMERS DEVELOPMENT S.A.

Fribourg, Switzerland
Licensing company

OTHER INTEREST

HULES MEXICANOS S.A.

Mexico City, Mexico
Producer of rubbers for Latin America



THE YEAR IN BRIEF

	1972	1971
	thousands of dollars	
Net sales and other income	205,376	174,672
Provision for income taxes	3,054	(438)
Net income before extraordinary items	8,357	1,272
dollars per share	4.18	0.64
Extraordinary items	(1,299)	(779)
Net income	7,058	493
dollars per share	3.53	0.25
Dividend	750	500
Provision for depreciation	15,026	13,807
Working capital	55,111	54,807
Capital expenditures	20,044	30,974
Net plant and equipment	109,704	105,567
Payroll and benefits	50,980	45,062
Number of employees at year-end	4,856	4,414

The Polysar story

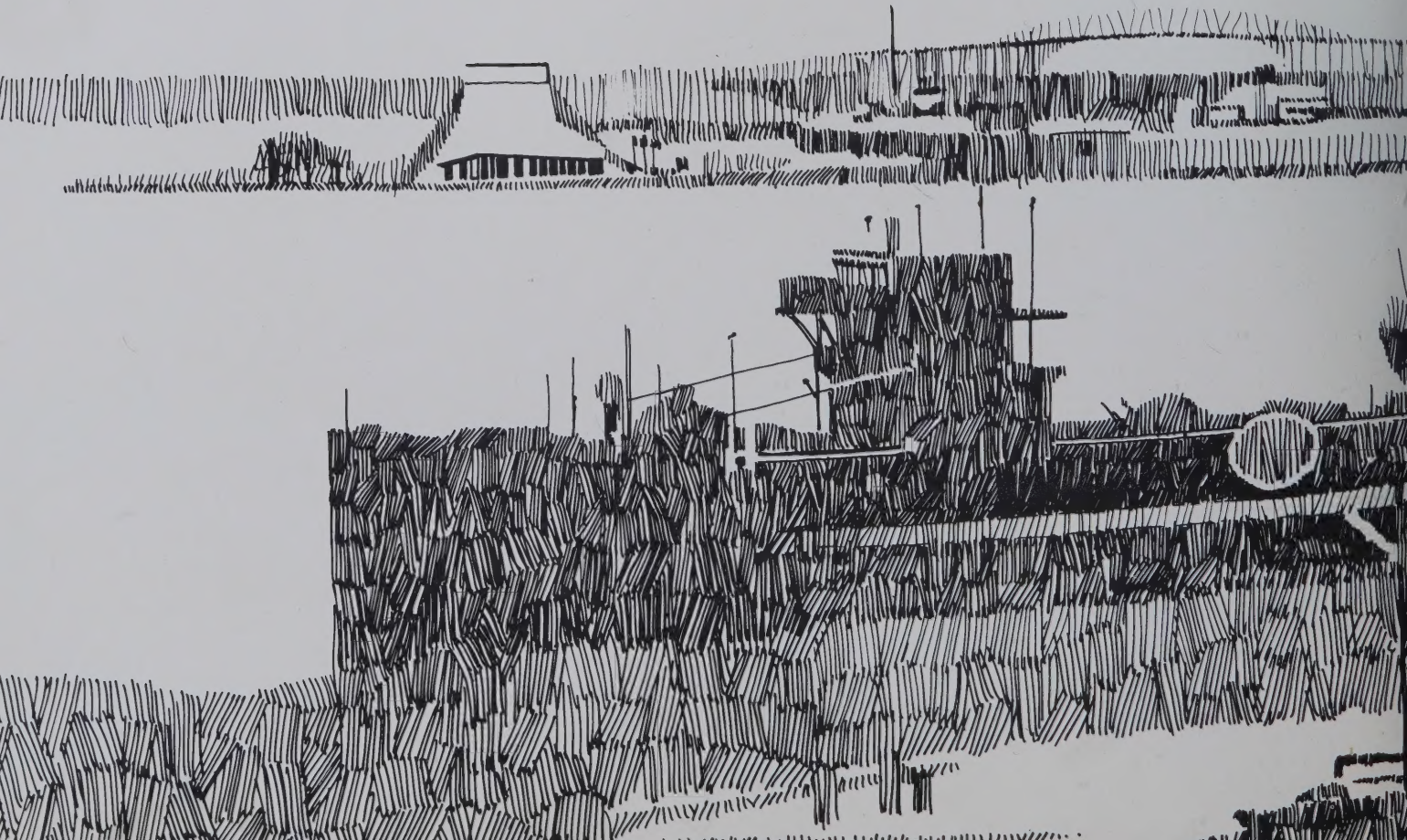
In 1942 Polymer Corporation Limited was established as a Crown company and charged with building and operating a synthetic rubber plant as the Canadian contribution to the wartime rubber program. Technical and operating assistance was initially provided by several oil, rubber, and chemical companies. Design capacity was reached by mid-1944. All subsequent growth was financed by internal cash generation and borrowings without further shareholder investment. In addition, the corporation has repaid advances and paid dividends, debenture retirements, income taxes, and interest, which in total equal almost four times the initial investment.

The post-war period was one of transition to normal commercial business. World-wide export markets were opened up through a network of distributors and POLYSAR products introduced to the international rubber industry. A strong research and development program aimed at diversification within the rubber business was

established. The 1950's cover a period of further development of export markets and expansion of production facilities in Canada.

In response to the opportunities presented by the growing economic unification of Europe, a specialty rubber plant was completed in France in 1962 and a butyl plant in Belgium commenced operations a year later. The specialty plant was subsequently enlarged to produce general purpose rubber and additional latex products. This period also saw the formation of an international marketing company, with headquarters in Switzerland, responsible for all distribution outside Canada. Polysar technology was marketed for plants erected in South Africa and Mexico, and more recently in Turkey, Japan, and Spain. First moves were made into plastics.

In the late 1960's new emphasis was given to the production of latex and the company embarked on a diversification program into other technically-oriented ventures. Acquisitions were



made in the plastics business and firm positions taken in the areas of building systems and information processing.

The purchase of Polymer in 1972 provides the new owner, the Canada Development Corporation, with a major vehicle for growth while at the same time opening up new opportunities for the company. Symbolic of this new era and as evidence of the company's internationality the corporate identity is being changed early in 1973 from Polymer Corporation Limited to Polysar Limited. The trade name POLYSAR is derived from the generic term POLYmer, and SARnia, the location of the company's first manufacturing facilities and its corporate offices. After being used in the name of subsidiary companies and products in all corners of the globe, its adoption in the corporate title gives recognition to the international character of the Canadian parent and establishes a single identity for the world-wide group of companies.

*A view of the bay at Sarnia showing
the proposed festival theatre
of the Sarnia Arts Foundation.
Polysar's corporate headquarters
and principal Canadian
manufacturing facilities were
located here in 1942.*



Message of the president



In 1972 the company made substantial progress towards attaining an acceptable level of profitability. Net income after taxes was moderately ahead of budget at \$7.1 million, or \$3.53 per share, compared with a profit of \$0.5 million or \$0.25 per share in 1971.

This result was achieved in a year of favourable trends in business activity in North America but of only modest economic gains in Europe and other regions. Demand for our products was strengthened and significant economies were achieved in operating costs. On the other hand, our principal operations are sensitive to international monetary conditions, and during the year were adversely affected by general inflation, a strong Canadian dollar, the floating and weakening of Sterling, and instability in money markets.



Noteworthy progress was made in cost improvement in rubber operations in both Europe and North America while profit performance trends in the latex and plastics groups were highly encouraging. The year saw the initial start-up phases of the building systems plant and steady growth in revenue of the information processing business. The results for 1972 are reviewed in greater detail in the operations and financial sections of this report.



As an expression of our program to make research and development activities more results-oriented and to exploit valuable strengths in technology, an agreement was signed with Atomic Energy of Canada. Under its terms the company is carrying out development work on improved processes for the extraction of heavy water, an essential component of the Canadian nuclear power system. It is expected that pilot plant facilities will be built and operated in Sarnia as part of this program.



Last year we commented on the fundamental competitive disadvantages of the Canadian petrochemical industry, and the urgent need for economically and politically acceptable solutions if it is to become a dynamic force in Canada's economic future. In 1972 we continued



to support representations to the Federal government for creation of an environment in Canada to permit the industry to compete on an international scale. The problem is extremely complex, tied in as it is with international competition for energy, the quest for northern resources and the implications of international trade and taxation. We believe that solutions are necessary which recognize regional differences, with progressive rationalization of the industry's structure as and when required. A framework needs to be developed which will enable this to happen while still permitting natural market forces to have the widest possible freedom.

Competitively priced feedstock remains a key requirement for the company's Sarnia operations. A feasibility study concerned with the construction of a \$150 million plant for the supply of petrochemical raw materials was conducted during the year by the Sarnia Olefins and Aromatics Project (SOAP) in which the company is a partner. It is expected that this project will reach a point of decision during the first half of 1973.

The announcement in mid-year of the sale of Polymer to the Canada Development Corporation ushers in a period of significant new challenge and opportunity. With the support and commitment of the new owner, we are encouraged to exploit our established international positions and new opportunities in elastomers, plastics and other businesses, and to continue the program of selective diversification. Following the sale, Mr. H.A. Hampson, Chairman of the Canada Development Corporation, was elected to the Board and its Executive Committee. Mr. Hampson brings the experience of an extensive and successful career in the fields of banking, government and investment.

Coincident with the issuance of this report, and as symbolized on its cover, we are announcing a change in the company's name to Polysar Limited. POLYSAR has identified the group of companies throughout the world for many years and has been used internationally

as a registered trade mark and as a trade name since 1947. It is appropriate and important for the company, as one of the few Canadian-based international firms, to be known by a single identity world-wide.

In directing its international and multi-business operations, Polysar is applying the concept of a "management company". Through choice of this form, it is a principal requirement of corporate management to co-ordinate the diverse components to optimize their collective performance. This recognizes that the various businesses span a wide range in terms of size, state of maturity, exposure to change and risk, growth potential and profitability. During 1972 considerable attention was directed to planning the future of the group and organizing to achieve results through an integrated management system.

Benefits will flow from achieving integration, commitment and accountability. We have confidence that managers will exercise leadership in helping to set strategy, in communicating goals, in gaining commitment to them, and in providing an environment for delegation. This is the kind of working environment that will permit each employee to reach for his own personal objectives.

Polysar's improved results in 1972 were made possible by the effective efforts of more than 4,800 employees in fourteen countries. Their demonstrated skills and dedication to responsibilities augurs well for achievement of the company's potential.

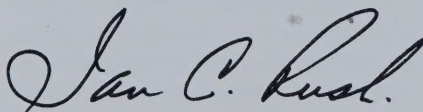
An era has ended with the retirement of E.R. Rowzee as Chief Executive Officer. He joined the corporation at its founding in 1942, was named President and Managing Director in 1957, and was appointed Chairman of the Board in 1971, a post he still retains. A pioneer in the synthetic rubber industry, Mr. Rowzee was instrumental in the growth of Polymer Corporation from a vision in the minds of a few into a diversified international enterprise. The Board of Directors and management express their deep appreciation of his many contributions to the company over the past 30 years.

Turning to prospects for the current year, a continuation of strong markets is widely anticipated in keeping with the rising level of business activity in the international economy. While the strengthening of the U.S. dollar towards the end of 1972 helped to ease the upward pressure on the Canadian dollar, the more recent realignment of currencies has had an unsettling effect. The realignment has, however, established more realistic relative values among the leading currencies.

In the present buoyant situation a significant rise in rubber sales is expected. Our latex business should benefit substantially from the opportunities being pursued to expand in selected areas and markets. In plastics, above-average growth performance is anticipated in the fields of packaging, furniture and construction, and in sales of polystyrene resin. We will be pursuing a strong position in the information processing industry. Also, this year will be a crucial one for our building systems division in that it will be tested to prove it can take advantage of the large opportunity presented by the world's need for shelter.

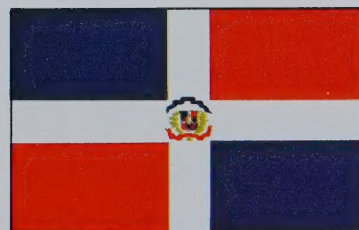
Polysar has set strategic plans for growth and backed these with operational plans. They are designed to achieve world-wide sales in excess of \$500 million, with accompanying gains in profits, in five years' time. The keys to both corporate and personal achievement — the environment, the organization and the systems — have been strengthened. We look forward now with confidence to fulfilling our expectations in the fourth decade of the Polysar Story.

For the Board of Directors,



I.C. Rush
President and Chief Executive Officer.

Sarnia, Ontario
February 19, 1973.



The year in review...operations



Rubber

Sales of POLYSAR rubbers were above the level of last year in all major geographic regions. An overall increase of 8 percent resulted from more buoyant economic conditions and improvements in market position.

The range of POLYSAR oil resistant rubbers, particularly carboxylated types, was broadened by the acquisition of the solid rubber business of Standard Brands Chemical Industries Inc., Delaware, U.S.A. The performance characteristics of other types were improved through internal innovation. Technology was developed for powdered nitrile rubbers to supply a growing market in the rubber fabricating and plastics industries; commercial production facilities are planned for 1973.

Butyl rubber sales were strong in all areas. Demand for POLYSAR bromobutyl introduced to the market in 1971, increased markedly as major world tire manufacturers and other customers found its unique properties adaptable to a variety of applications. Construction of facilities for additional commercial production of this new product of Polysar research and development was commenced by mid-year; completion is scheduled for 1973.

World-wide over capacity of general purpose tire rubbers prolonged uneconomic price levels in many areas. Producers have generally experienced low profitability; one major supplier closed down its U.S. operations early in 1972. In the future, strengthening economic conditions and rising rubber consumption should lead to better utilization of capacity and some firming of prices.

Demand for POLYSAR polybutadiene rubber showed continued improvement in 1972. This resulted from good growth in its use as a modifier for polystyrene plastics where its exceptional combination of properties is becoming widely recognized.

Pilot plant facilities were expanded to supply a growing specialty market for a liquid, "room temperature vulcanization" polymer.

This product of Polysar innovation finds use where conventional rubber compounding and curing would be difficult, and where its unique property of being insensitive to the presence of water, in vulcanization and in service, can be put to good account.

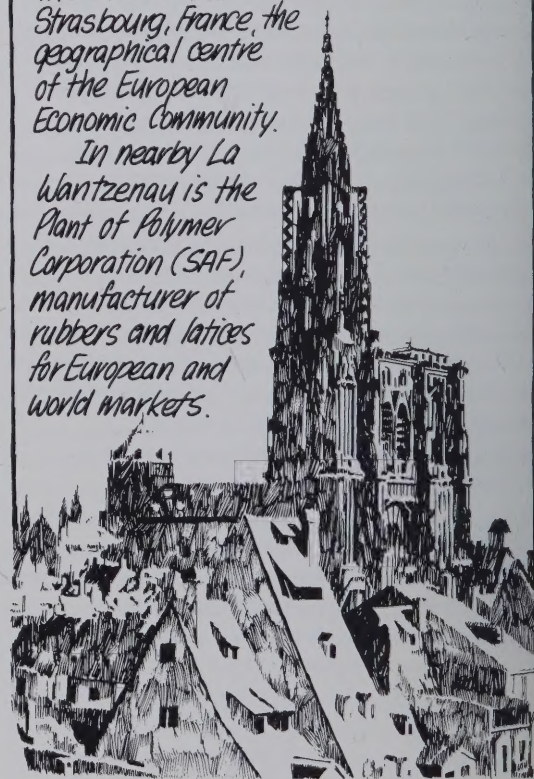
Latex

Significant growth was achieved by the latex



*The cathedral at
Strasbourg, France, the
geographical centre
of the European
Economic Community.*

*In nearby La
Wantzenau is the
Plant of Polymer
Corporation (SAF),
manufacturer of
rubbers and latices
for European and
world markets.*

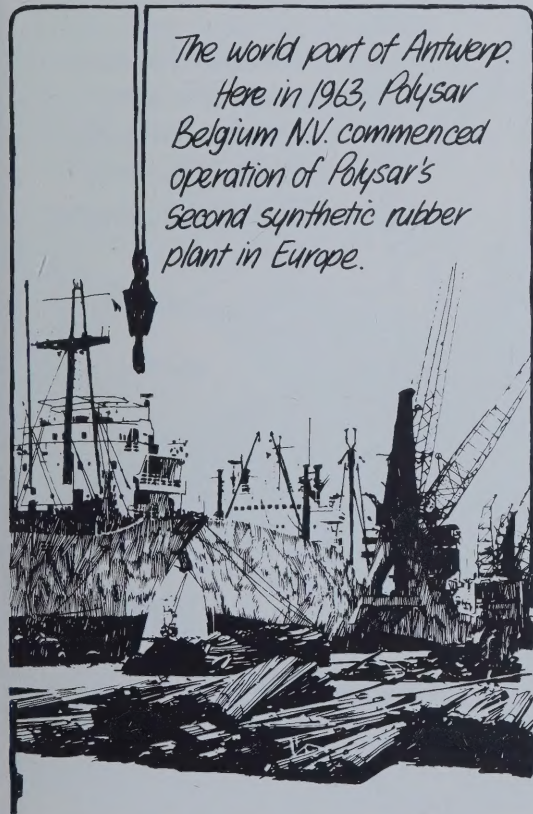


business in 1972 in both North American and European areas, reflecting strong demand for high solids and carboxylated types. Price pressure was still experienced in all major markets, although by year-end there were indications of some stabilization.

During the year capital spending was directed at improved plant efficiencies, cost reduction,

and additional equipment to meet environmental standards. The new manufacturing facilities in Chattanooga, Tennessee are meanwhile meeting requirements in the rapidly expanding carpet industry in the United States.

The markets of the latex industry have high growth potential and demand a high degree of skill in developing and managing technology. Polysar has development facilities in Sarnia and



in Antwerp, Belgium which provide research and development support for the world-wide short, medium and long-term business objectives. Synthesis, applications and technical service laboratories, together with research personnel, ensure the development and maintenance of a competitive product line in the adhesives, dipping and coating fields, and spread and moulded foam applications. A new paper

coating latex with improved processing cost performance was well received by the paper industry.

Continued sales growth is expected in 1973. To meet the projected increase in demand and to maintain Polysar's position as a major supplier to the carpet, upholstery and paper coating industries, plant expansions are underway in both Europe and North America.

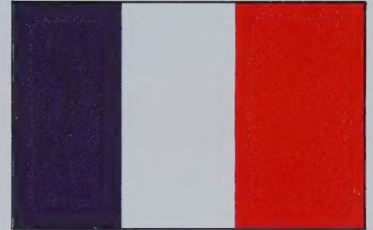
Plastics

During 1972 the Plastics group continued the program of expansion that was initiated in 1969. Each year has seen major improvements in sales and profits from all sectors. Spurred by strong demand in the United States market, particularly in the furniture and packaging segments, sales revenue in 1972 was 55 percent over the level of the previous year and three times that of 1970.

Production capacity was substantially increased at Decorative Components (furniture parts) and at Mammoth Plastics — U.S. (packaging). The Mammoth product line of packaging containers for food, chemicals, and other materials was introduced in Canada with the installation of equipment at Polysar Plastics Limited (formerly Kayson Plastics and Chemicals Limited). During the year construction of a new polystyrene facility was started at Decorative Components with completion scheduled for early 1973. This will be the first polystyrene plant in the rapidly growing southeastern region of the United States.

Current research activity is being directed at improving existing products and processes, meeting environmental standards and maintaining technological competence. The Solar product line of polystyrene resins was enlarged by the commercialization of a special material, "Solarphon", for the moulding of phonograph records, and by the introduction of colour concentrates for internal consumption and application in the resin market.

At mid-year, administrative offices for the Plastics group of companies were transferred to Stamford, Connecticut. This move of executive





activities closer to the plastics industry in the United States is expected to facilitate further growth through acquisitions as well as continuing expansion of present businesses. An office was also established in Fribourg, Switzerland to promote and develop the group's world-wide interests.

Growing market demand deriving from the economic upturn in North America, as well as further penetration by plastics products into markets where their special properties have advantages, is expected to continue throughout 1973. The outlook for sales of the Plastics group is for continued growth of both resins and processed products.

Building Systems

Industrialization of the building process is one of the few routes open to achieve the economies of scale necessary to provide accommodation and other forms of shelter at acceptable cost. The Polysar system is directed at year-round production of finished, reinforced concrete modules on an assembly line basis. Work at the job site is limited to that of site preparation, foundations, the erection and connection of modules, and connection of utilities. This unique systems approach is designed to provide speed of construction, cost control, high quality and architectural flexibility. Buildings in almost any form — low, medium and high rise apartments, townhouses, senior citizens residences, student dormitories, hotels and motels — can be provided.

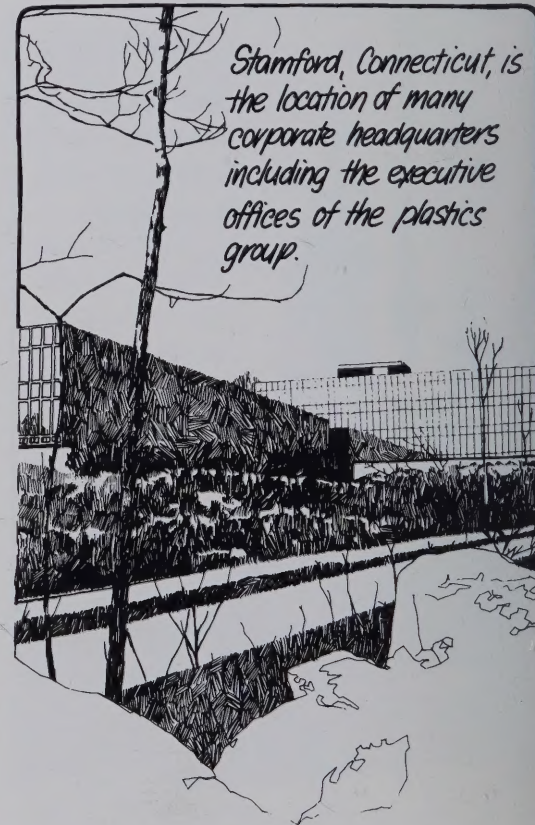
Late delivery of key equipment delayed the start-up of the Milton plant of the Building Systems Division until the latter part of the year. By year-end, however, fully serviced units were being produced and an apartment building for senior citizens was under construction. Also under development were town house and motel projects. More recently, factory operating problems with this new concept have been encountered and have interrupted progress on a major apartment complex.

The plant in Milton near Toronto gives Polysar the opportunity to prove it can be an important

factor in the dwelling market of a geographical area which comprises a current population in excess of five million, almost one quarter of Canada's total, and includes several centres of extremely rapid urbanization.

Information Processing

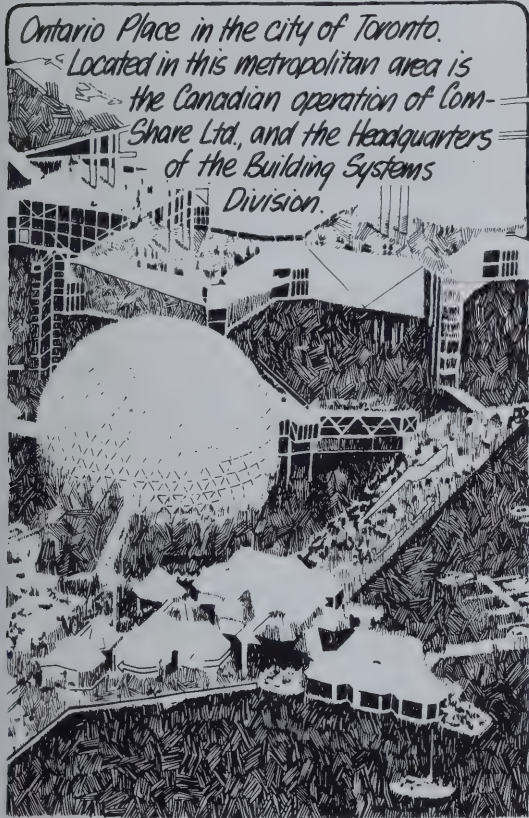
At the beginning of the year a majority position in Com-Share Limited was attained and the



results of its operations are now fully consolidated with the Polysar Group.

A mood of optimism has returned to the information processing industry. Recent reports commissioned by the Canadian government foresee greater use by federal departments of outside service companies such as Com-Share, and predict that the scientific segment of the on-line services market will grow at a compound

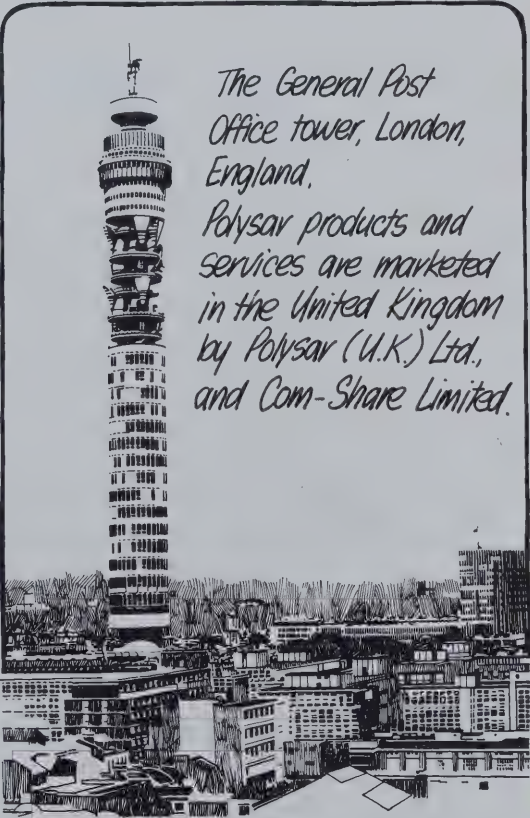
rate of 17 percent per annum over the next decade. Continued growth of the business accounting market is also expected. The competitive environment has changed significantly over the last two years. Suppliers are now developing expertise in selected segments of the market to compete for a wider range of customers rather than engaging solely in price competition.



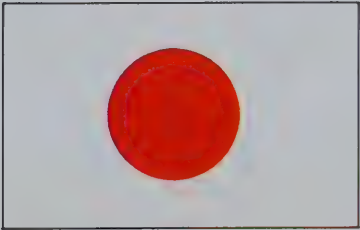
Com-Share development activities are concerned with improving the software system, creating new application packages and adapting both software and product packages to take advantage of advances in computer equipment.

During 1972, revenue of the Canadian operation increased significantly as increased emphasis was placed on marketing specific applications for remote access systems. Substantial progress was

made in penetrating the United Kingdom market where installation of a second larger computer late in the year provided increased capacity and flexibility. Together with newly developed operating systems, the expanded capabilities will permit entry into the growing market for remote access services.



*The General Post Office tower, London, England.
Polysar products and services are marketed in the United Kingdom by Polysar (U.K.) Ltd., and Com-Share Limited.*



The year in review...financial



Net Income and Extraordinary Items

Net income in 1972, before extraordinary items, was \$8.4 million, an improvement of \$7.1 million over the preceding year and equivalent to \$4.18 per share.

Extraordinary charges of \$1.3 million (see Note 11 to the financial statements) include the net effect of the write-down of investments, currency revaluation losses, and profits resulting from the sale of capital assets.

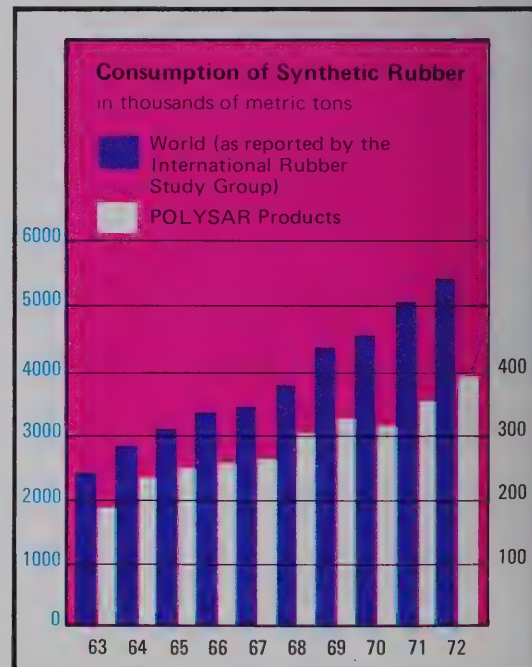
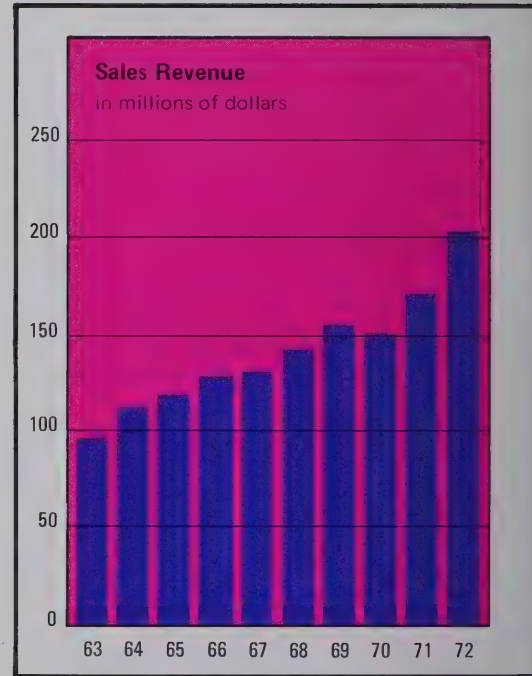
After deducting the above, net income for the year amounted to \$7.1 million, equivalent to \$3.53 per share, compared with \$0.5 million (\$0.25 per share) in 1971.

Net Sales

Continuing growth was achieved in 1972 with net sales of products and services amounting to \$201.4 million as compared with \$170.2 million in 1971. This increase of 18 percent was attributable chiefly to strong demand for rubber, latex and plastics products in a more buoyant business environment. The company's share of the world market for synthetic rubbers and latices was improved over the previous year. In the plastics business revenue increased by 55 percent continuing the pattern of growth established in 1971. Revenue from the information processing business, which was consolidated from January 1, 1972, and from the Building Systems Division was below expectations.

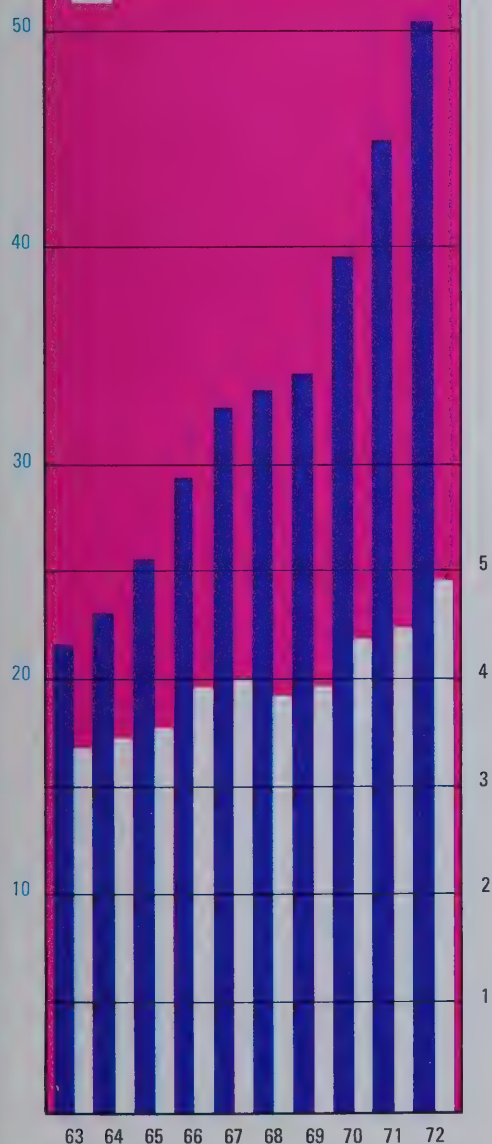
Other Income

Other income declined to \$4.0 million because of lower revenue from technology sales and lower interest earnings as a major portion of the short-term investments were liquidated to meet cash requirements. Increased income was received from government programs including the Employment Support Act, the Program for the Advancement of Industrial Technology, the Industrial Research and Development Incentives Act, and from contract research.



Payroll and Employment

■ Payroll in millions of dollars
■ Employees in thousands



Costs and Expenses

Continued emphasis on cost reduction programs contributed significantly to improved profit performance in 1972. The cost of sales declined to 83.6 percent of sales compared with 86.2 percent in the previous year, despite persistent inflation, start-up losses in the Building Systems Division, and increases in depreciation and amortization charges. The latter totalled \$16.3 million, an increase of \$1.9 million from 1971.

Marketing, research and administration expenses of \$21.0 million in 1972 were contained at the same level as the previous year and amounted to 10 percent of sales compared with 12 percent in 1971.

Costs were inflated by the continuing pattern of wage and salary increases and the higher costs of associated employee benefits. The average payment per employee increased by about 8 percent over the previous year. In total, these costs amounted to \$51.0 million, an increase of \$5.9 million as compared with 1971. The number of Polysar employees increased by 442 to a year-end total of 4,856, reflecting significant growth of the plastics operations, staffing of the building systems plant, and the consolidation of the information processing business from the beginning of the year.

Interest expense declined to \$5.2 million, reflecting a lower average level of short-term indebtedness and more favourable interest costs on this type of borrowing. Long-term debt and associated interest costs declined slightly from the previous year's level.

Income Taxes

The Polysar Group of Companies carries on operations in a number of tax jurisdictions and makes full provision for tax liability in each company. Thus, the consolidated tax provision is derived from actual profits in a number of locations involving significantly different tax rates and regulations.

Consolidated tax costs increased to \$3.1 million in 1972 from a credit of \$0.4 million in 1971





principally as a result of a higher level of profit. Income tax expense was reduced by \$2.1 million because of carry forward of prior years' losses.

Generation of Funds

Funds generated from operations increased to \$25.3 million compared with \$14.5 million in 1971, reflecting the higher profit level and increased charges which do not require a current outlay of funds. Funds realized from the sale of capital assets and from new long-term debt totalled \$4.5 million. These proceeds were utilized to meet working capital requirements, to finance additions to fixed and other assets of \$21.9 million, to meet scheduled repayments of long-term debt of \$6.8 million, and for a dividend payment of \$0.8 million.

The sale of capital assets includes divestment of the company's holdings in Sentrachem, the South African chemical complex which contains a synthetic rubber plant constructed and operated with Polysar technology. Also during 1972, the company sold surplus equipment of the ABS plastics plant in Sarnia, which was shut down at the end of 1970, and signed a long-term lease-purchase agreement for the building and land.

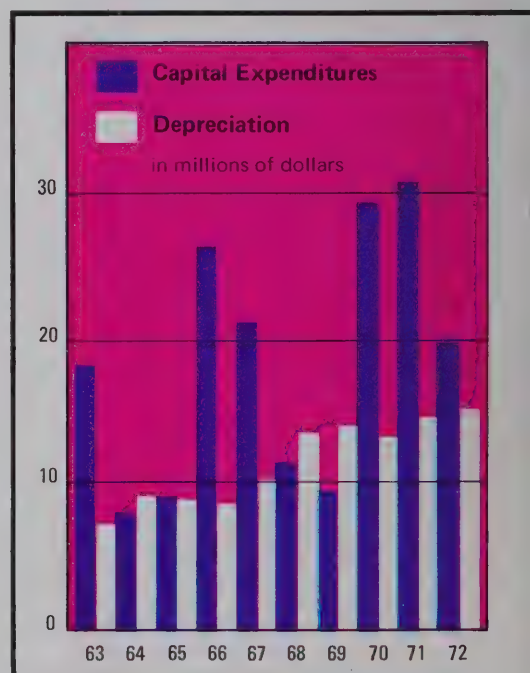
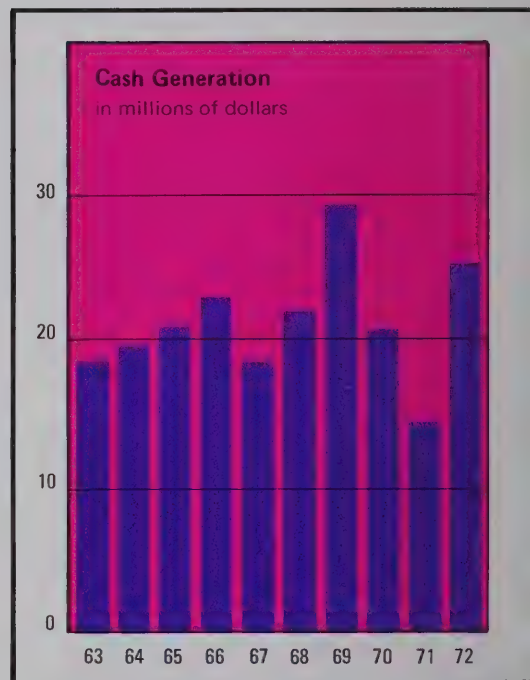
Working Capital

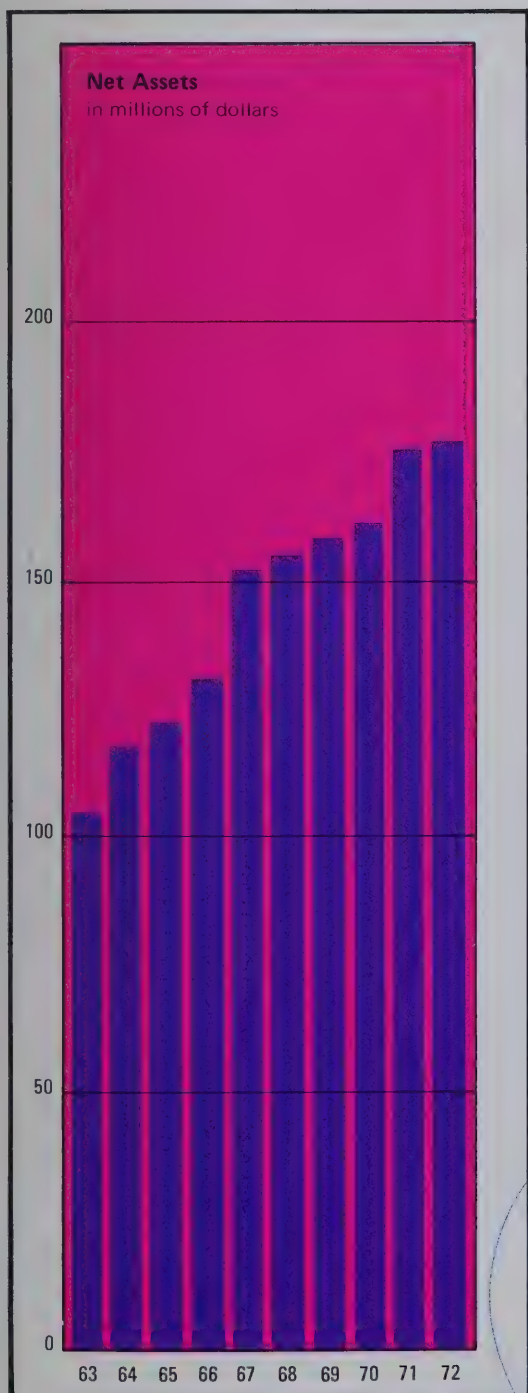
Working capital at December 31, 1972 amounted to \$55.1 million, an increase of \$0.3 million during the year. A major portion of the short-term investments was liquidated to meet corporate cash requirements, and the net of receivables, inventories and payables was \$7.6 million greater than a year ago, reflecting the higher volume of business.

At year-end the current ratio was 1.9 to 1 and the ratio of "quick assets" consisting of cash, short-term investments and receivables, to current liabilities was 1.2 to 1, both unchanged from the end of the prior year.

Capital Expenditures

Capital expenditures in 1972 amounted to \$20.0 million. About 60 percent of this total was expended for increased rubber and latex





production capacity, plant improvements and pollution abatement programs in Sarnia, Strasbourg, Antwerp, and Chattanooga. Expansion of plastics facilities in several locations in the U.S. accounted for 20 percent of the expenditures, and the remainder was for completion of the plant of the Building Systems Division in Milton, Ontario. Major commitments were made late in the year for rubber and latex capacity in Europe and North America which will result in significant spending in 1973.

Foreign Exchange Factors

The business of an international company such as Polysar is conducted in most of the world's major currencies and is therefore acutely affected by changes in exchange rates. In 1972 the high value of the floating Canadian dollar throughout most of the year, and the floating and subsequent devaluation of Sterling had an adverse effect on corporate performance.

The impact of the 10 percent devaluation of the U.S. dollar on February 12, 1973, and of the subsequent realignment of other currencies, is difficult to assess accurately at the time of this writing. Revaluation of net working capital would have a favourable effect of about \$1.0 million. While future operating profits may benefit from improvements in prices expressed in Canadian dollars, the extent and timing of such improvements are uncertain. In addition, adverse effects would be felt from any restrictive trade moves should these be encountered in the period of monetary adjustment ahead.

Leases

Current accounting practice favours capitalization of long-term lease-purchase contracts. This policy was adopted, and as a result the cost of certain office and production facilities amounting to about \$13.6 million and the related depreciation and long-term debt have been included in the financial statements for 1972. Figures for 1971 have been revised to reflect this change in accounting practice.



Polysar Limited formerly Polymer Corporation Limited

Polymer Corporation Limited and subsidiary companies

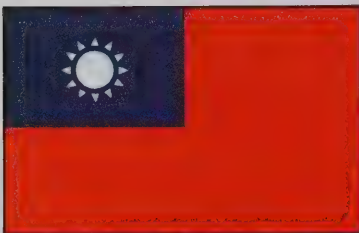
Consolidated Statement of Income / for the year ended December 31, 1972
with comparative figures for the year ended December 31, 1971
Expressed in thousands of dollars

	1972	1971
Income		
Net sales of products and services	\$201,426	\$170,247
Other (Note 12)	3,950	4,425
	<u>205,376</u>	<u>174,672</u>
Expense		
Cost of sales	168,447	146,813
Selling, administration and research	20,978	20,888
Interest on long-term debt	4,061	4,179
Interest on short-term debt	1,172	2,055
	<u>194,658</u>	<u>173,935</u>
Net income before the following items	10,718	737
Current income tax (Note 10)	3,062	1,181
Deferred income tax	(8)	(1,619)
Minority interest in subsidiary companies	(693)	(97)
Net income before extraordinary items	8,357	1,272
Extraordinary items, net (Note 11)	(1,299)	(779)
Net income	<u>\$ 7,058</u>	<u>\$ 493</u>
Net income per share before extraordinary items	\$ 4.18	\$.64
Extraordinary items, net	(.65)	(.39)
Net Income per share	<u>\$ 3.53</u>	<u>\$.25</u>

Consolidated Statement of Retained Income / for the year ended December 31, 1972
with comparative figures for the year ended December 31, 1971
Expressed in thousands of dollars

	1972	1971
Balance at beginning of the year	\$ 87,801	\$ 87,808
Net income for the year	7,058	493
	<u>94,859</u>	<u>88,301</u>
Dividend	750	500
Balance at end of the year	<u>\$ 94,109</u>	<u>\$ 87,801</u>

The accompanying notes are an integral part of the financial statements.



Polymer Corporation Limited and subsidiary companies

Consolidated Statement of Source and Application of Funds / for the year ended December 31, 1972

with comparative figures for the year ended December 31, 1971

Expressed in thousands of dollars

	1972	1971
Source of Funds		
Net Income	\$ 7,058	\$ 493
Items not requiring a current outlay of funds:		
Depreciation	15,026	13,807
Amortization of intangible assets	1,265	612
Other	1,934	(372)
	<u>25,283</u>	<u>14,540</u>
Proceeds of long-term debt	1,945	21,889
Sale of capital assets	2,562	338
	<u>29,790</u>	<u>36,767</u>
Application of Funds		
Fixed assets	19,225	29,303
Other assets	2,707	1,250
Repayment of long-term debt	6,804	7,915
Dividend	750	500
	<u>29,486</u>	<u>38,968</u>
Increase (Decrease) in Working Capital	304	(2,201)
Working Capital at beginning of the year	54,807	57,008
Working Capital at end of the year	<u>\$ 55,111</u>	<u>\$ 54,807</u>



The accompanying notes are an integral part of the financial statements

Polysar Limited formerly Polymer Corporation Limited

Polymer Corporation Limited and subsidiary companies

Consolidated Balance Sheet / as at December 31, 1972

with comparative figures as at December 31, 1971

Expressed in thousands of dollars

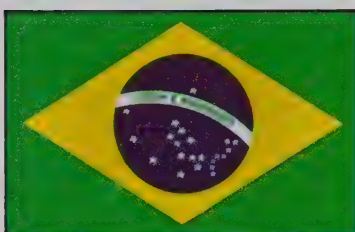
	1972	1971
Assets		
Current		
Cash	\$ 1,498	\$ 2,122
Short-term investments, at cost which approximates market	5,846	14,130
Accounts receivable, less allowance for doubtful accounts	61,027	52,210
Inventories, at lower of cost or net realizable value:		
Finished products	25,558	26,050
Prime materials and intermediate products	9,025	8,621
Operating and maintenance supplies	9,134	8,151
	<u>43,717</u>	<u>42,822</u>
Prepaid expenses	1,959	1,321
Total Current Assets	114,047	112,605
Investments in Other Companies (Note 5)	4,739	9,889
Fixed (Note 4)		
Land, buildings and equipment, at cost	283,405	268,089
Less: accumulated depreciation	<u>173,701</u>	<u>162,522</u>
	109,704	105,567
Deferred Charges, at cost less amortization	3,964	2,586
Patents and Technology, at cost less amortization	<u>3,567</u>	<u>2,441</u>
	<u>\$236,021</u>	<u>\$233,088</u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

E.R. Rowzee, Director

I.C. Rush, Director



	1972	1971
Liabilities and Shareholders' Equity		
Current		
Short-term loans	\$ 22,971	\$ 21,176
Accounts payable and accrued liabilities	28,991	26,922
Income and other taxes	1,063	1,550
Long-term debt due within one year	5,911	8,150
Total Current Liabilities	<u>58,936</u>	<u>57,798</u>
 Long-term Debt (Note 6)	 46,978	 51,601
Deferred Acquisition Obligation (Note 7)	1,157	1,381
Deferred Income Taxes	4,153	4,157
Equity of Minority Shareholders in Subsidiary Companies	688	350
Total Liabilities	<u>111,912</u>	<u>115,287</u>
 Shareholders' Equity		
Capital Stock:		
Authorized — 3,000,000 common shares of no par value		
Issued — 2,000,000 common shares fully paid	30,000	30,000
Retained Income	<u>94,109</u>	<u>87,801</u>
Total Shareholders' Equity	<u>124,109</u>	<u>117,801</u>
	<u>\$236,021</u>	<u>\$233,088</u>



We have examined the above Consolidated Balance Sheet and the related Consolidated Statements of Income, Retained Income and Source and Application of Funds and have reported thereon under date of February 15, 1973.

A.M. Henderson
Auditor General of Canada

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Polymer Corporation Limited and subsidiary companies

Notes to Financial Statements / for the year ended December 31, 1972



1. Change of Ownership:

On July 31, 1972 Canada Development Corporation purchased all of the outstanding shares of the company from the Government of Canada. Under terms of the purchase, a recommendation is to be made that Parliament delete the name of the company from the schedules to the Financial Administration Act.

2. Basis of Consolidation:

The consolidated statements reflect the financial position and the results of operations of Polymer Corporation Limited and its subsidiary companies. All intercompany balances and transactions have been eliminated. The 1971 figures have been reclassified to reflect the accounting presentation used in 1972.

3. Currency Exchange Rates:

Consolidation of non-Canadian current assets and liabilities has been made at rates of exchange in effect on December 31, 1972; all other assets, including applicable depreciation, and liabilities at the rates prevailing when the assets were acquired or the liabilities incurred; and income and expense, except depreciation, at rates in effect during the year.

If the exchange rates prevailing on February 15, 1973 were applied to the 1972 accounts, net income would have been greater by about \$1.0 million. In the event the same exchange rates were to prevail during the years 1974 to 1989, stated repayments on long-term debt expressed in Canadian dollars would be approximately \$1.6 million higher.

4. Accounting for Leases:

Certain office and production facilities costing approximately \$13.6 million are held under long-term leases. Such cost and related long-term debt have been capitalized in 1972. The 1971 statements have been restated on a comparable basis.

5. Investments in Other Companies:

Investments in other companies are stated at cost which approximates underlying equity. Upon assuming a majority position in 1972 in a company previously accounted for on the equity basis, such subsidiary has been consolidated in the accounts.

The consolidated statement of income includes income from investments in other companies of \$501,000 (\$529,000 in 1971).

6. Long-term Debt:

LOANS REPAYABLE:

In French francs during the years 1973 to 1980 (Fr. 33,125,000) bearing interest at rates varying from 6.5 percent to 9.25 percent

Thousands of Dollars

\$ 6,614

In Belgian francs during the years 1973 to 1977 (Fr. 250,000,000) bearing interest at 6.5 percent and secured by a mortgage on certain land and buildings

5,448

In Swiss francs during the years 1975 and 1976 (Fr. 25,000,000) bearing interest at the rate of 6.875 percent until the latter part of 1973 and variable thereafter with a minimum of 6.75 percent

6,387

In United States Dollars:

In annual instalments under lease arrangements, increasing from U.S. \$550,000 in 1973 to U.S. \$1,610,000 in 1985 bearing interest at 9.75 percent and secured by a mortgage on certain fixed assets.

11,204

In monthly instalments through 1989 (U.S. \$4,807,000) bearing interest at rates varying from 6.5 percent to 8.25 percent, of which U.S. \$4,217,000 is secured by mortgages on certain fixed assets

4,889

In 1973 (U.S. \$1,000,000) bearing interest at 4.5 percent

990

7.5 PERCENT DEBENTURES:

In Canadian Dollars: Serial Debentures Series A repayable in equal annual instalments during the years 1973 and 1974

2,000

Sinking Fund Debentures Series maturing November 1, 1987 — pursuant to sinking fund requirements, annual payments of \$650,000 are required during the years 1975 to 1986, with a final payment of \$5,200,000 in 1987

\$ 13,000

OTHER:

2,357

52,889

Less portion of long-term debt due within one year included in current liabilities

5,911

\$ 46,978

Sinking fund requirements and portion of long-term debt due in each of the next five years are as follows: 1973 — \$5.9 million; 1974 — \$4.8 million; 1975 — \$7.8 million; 1976 — \$7.2 million; 1977 — \$4.1 million.

7. Deferred Acquisition Obligation:

The deferred acquisition obligation represents the current discounted value of the purchase price of all of the common stock of a foreign corporation and



Auditors' Report

The Honourable J. P. Goyer
Minister of Supply and Services
and
Canada Development Corporation
Ottawa, Canada

Sirs:

We have examined the consolidated balance sheet of Polymer Corporation Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of income, retained income and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

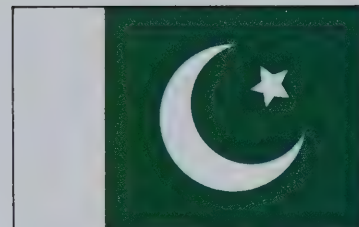
In compliance with the requirements of Section 77 of the Financial Administration Act, we report that, in our opinion:

- (a) proper books of account have been kept by the Corporation and its subsidiaries;
- (b) the consolidated financial statements of the Corporation and its subsidiaries:
 - (i) were prepared, in accordance with generally accepted accounting principles after giving retroactive effect to the change, with which we concur, in the method of accounting for certain lease transactions referred to in Note 4 to the financial statements, on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) give a true and fair view of the state of their affairs as at December 31, 1972,
 - (iii) give a true and fair view of their income and expense for the year ended December 31, 1972, and
 - (iv) present fairly the source and application of their funds for the year ended December 31, 1972; and
- (c) the transactions of the Corporation and its subsidiaries that have come under our notice have been within the powers of the Corporation and its subsidiaries under the Financial Administration Act and any other Act applicable to the Corporation and its subsidiaries.

A.M. Henderson
Auditor General of Canada

Peat, Marwick, Mitchell & Co.
Chartered Accountants

February 15, 1973



is payable on September 1, 1975. The discount in the amount of \$373,000 is being amortized against income over the period ending September 1, 1975.

8. Commitments:

At December 31, 1972, the Corporation and its subsidiaries were committed to spend approximately \$21,000,000 for acquisition of capital assets.

9. Pension Plans:

The unfunded past service liability of the pension plans relating to employees of the Corporation and its subsidiaries is being funded over the next seventeen years with annual charges against operations of approximately \$365,000.

10. Current Income Tax:

Income tax on a consolidated basis is computed on the operating results of many domestic and foreign subsidiaries, some of which sustained operating losses in the current period while others earned income subject to varying rates of tax. The Corporation does not give recognition to the potential future tax benefit represented by current losses of certain subsidiaries. Prior loss carry-forwards effectively reduce taxes otherwise payable in 1972 by \$2,128,000. Such reduction is considered as being part of the computation of current income tax.

11. Extraordinary Items, net:

	Thousands of Dollars	
	1972	1971
Write-down of investments and other assets	\$ (1,970)	\$ (1,275)
Currency revaluation (losses) profits	(375)	496
Profit on sale of investment and other assets	1,046	—
	<u>\$ (1,299)</u>	<u>\$ (779)</u>

12. Supplementary Information:

Other income includes dividends, interest, royalties, proceeds from sale of technology and income from participation in government programs.

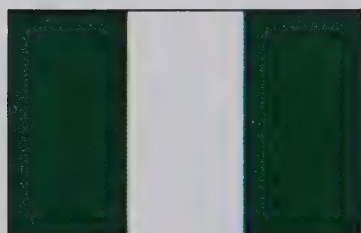
The accounts for 1972 include remuneration of 11 directors of the Corporation as directors \$22,000 and remuneration of 14 officers of the Corporation as officers \$835,000. Two officers of the Corporation are also directors.

Ten year review

Polysar Limited formerly Polymer Corporation Limited

Polymer Corporation Limited and subsidiary companies

Ten Year Review / in thousands of dollars except where noted



	1972	1971
Income and related data		
Net sales and other income	205,376	174,672
Income before taxes and extraordinary items	11,411	834
Income taxes	3,054	(438)
Extraordinary items	(1,299)	(779)
Net income	7,058	493
Dollars per share	3.53	0.25
Percent of sales and other income	3.4	0.3
Percent of shareholders' equity	5.7	0.4
Dividends	750	500
Dollars per share	0.38	0.25
Cash generation	25,283	14,540
Capital expenditures	20,044	30,974
Depreciation provided	15,026	13,807
Financial position		
Working capital	55,111	54,807
Investments	4,739	9,889
Net fixed assets	109,704	105,567
Other assets	7,531	5,027
Financed by		
Capital Stock	30,000	30,000
Retained income	94,109	87,801
Long-term debt	46,978	51,601
Other	5,998	5,888
Other data		
Salaries, wages, incentive compensation and employee benefits	50,980	45,062
Number of employees at year-end	4,856	4,414
Total rubber and resin production, millions of pounds	985	856

1970	1969	1968	1967	1966	1965	1964	1963
156,679	159,970	143,901	128,927	127,538	117,503	114,291	97,806
9,140	19,363	10,858	7,309	13,549	12,887	13,743	14,618
581	5,540	2,621	1,497	2,328	2,584	4,293	5,480
(1,499)	-	(1,199)	-	-	-	-	-
7,060	13,823	7,038	5,812	11,221	10,303	9,450	9,138
3.53	6.91	3.52	2.91	5.61	5.15	4.72	4.57
4.5	8.6	4.9	4.5	8.8	8.8	8.3	9.3
6.0	12.2	6.7	5.6	11.2	10.7	10.4	10.8
3,000	6,000	3,000	3,000	4,500	4,500	4,000	3,250
1.50	3.00	1.50	1.50	2.25	2.25	2.00	1.62
21,287	29,370	22,300	18,059	23,010	21,547	19,584	18,142
29,302	9,123	11,071	21,854	26,338	8,877	7,810	18,267
13,144	13,585	13,169	10,270	8,658	8,829	8,929	7,341
57,008	70,236	59,303	52,777	42,315	51,958	45,486	31,640
11,168	6,544	6,557	6,503	6,528	4,297	2,784	220
90,543	79,505	83,965	86,821	75,421	60,163	61,870	65,686
4,389	4,079	5,612	6,785	5,809	4,843	5,881	6,813
30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
87,808	83,748	75,826	73,131	70,319	66,245	60,442	54,992
37,628	38,339	40,146	40,853	21,957	20,088	21,519	15,384
7,672	8,278	9,466	8,902	7,797	4,928	4,060	3,983
39,523	34,302	33,152	32,464	29,578	25,621	23,575	21,699
4,277	3,799	3,722	3,976	3,911	3,605	3,433	3,310
801	732	685	617	593	555	532	436

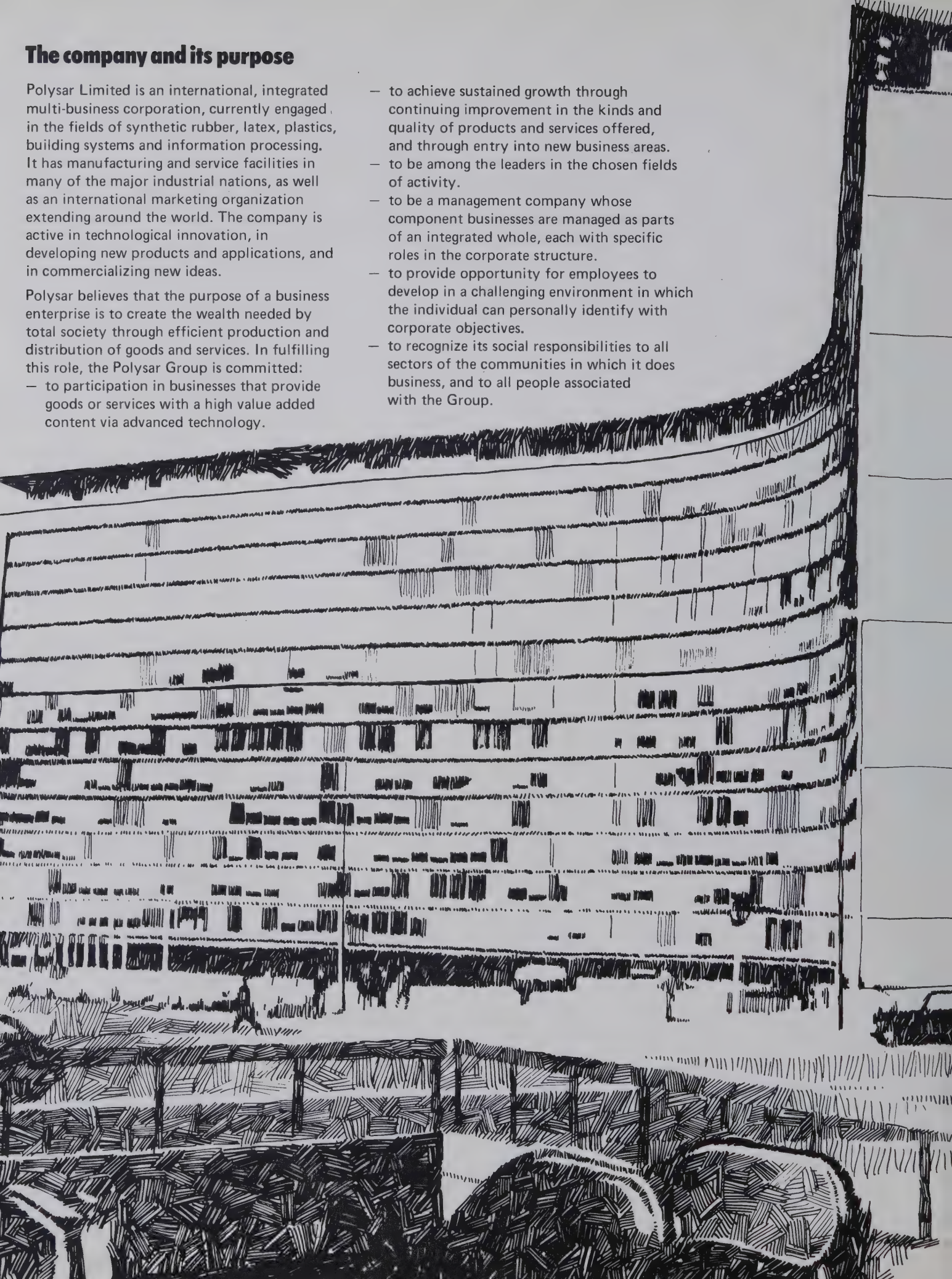
The company and its purpose

Polysar Limited is an international, integrated multi-business corporation, currently engaged in the fields of synthetic rubber, latex, plastics, building systems and information processing. It has manufacturing and service facilities in many of the major industrial nations, as well as an international marketing organization extending around the world. The company is active in technological innovation, in developing new products and applications, and in commercializing new ideas.

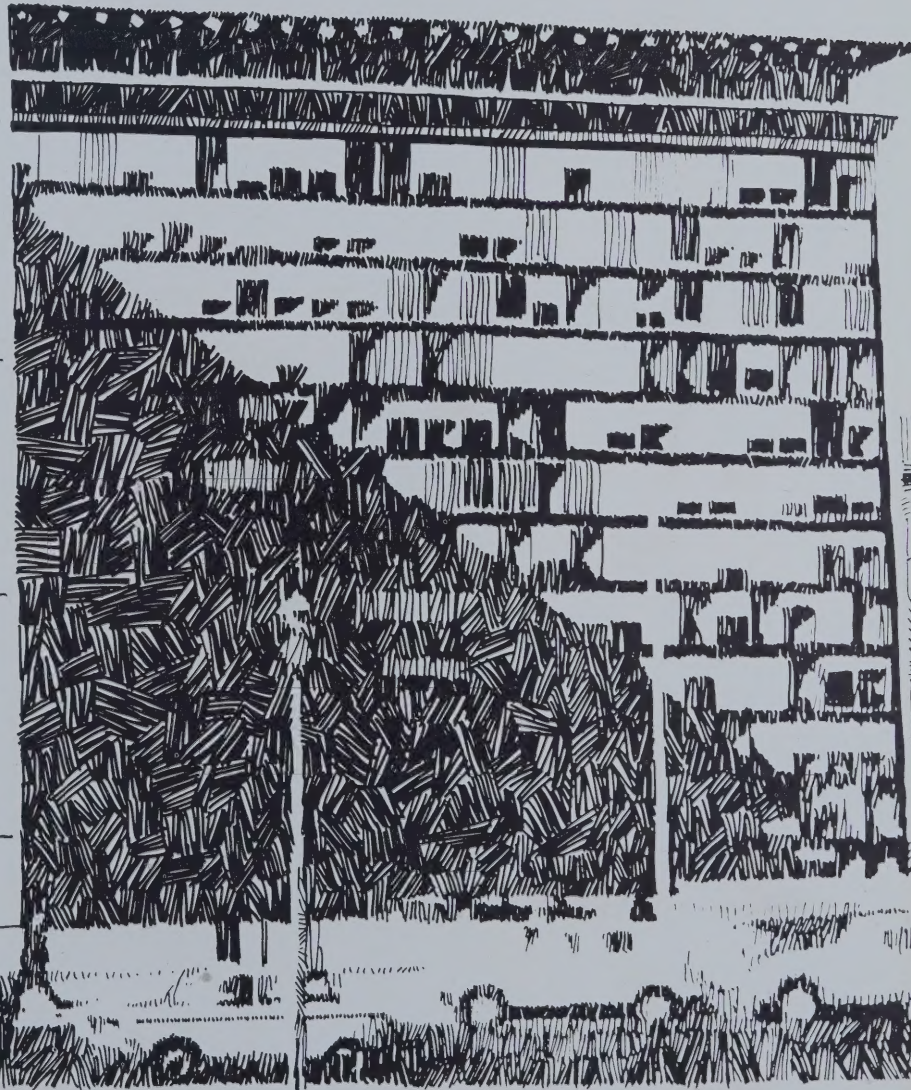
Polysar believes that the purpose of a business enterprise is to create the wealth needed by total society through efficient production and distribution of goods and services. In fulfilling this role, the Polysar Group is committed:

- to participation in businesses that provide goods or services with a high value added content via advanced technology.

- to achieve sustained growth through continuing improvement in the kinds and quality of products and services offered, and through entry into new business areas.
- to be among the leaders in the chosen fields of activity.
- to be a management company whose component businesses are managed as parts of an integrated whole, each with specific roles in the corporate structure.
- to provide opportunity for employees to develop in a challenging environment in which the individual can personally identify with corporate objectives.
- to recognize its social responsibilities to all sectors of the communities in which it does business, and to all people associated with the Group.



Headquarters of the European
Economic Community in Brussels,
Belgium which is also the centre
of Polysar's operations outside
of North America.



Directors



PIERRE R. GENDRON, Montreal
President, Pulp and Paper Research
Institute of Canada

H.A. HAMPSON, Ottawa
** Chairman, Canada Development
Corporation

W. LADYMAN, Toronto
International Vice President, International
Brotherhood of Electrical Workers

PIERRE LORANGE, Montreal
Member of Montreal City Council and
Montreal Urban Council

WILLIAM STEWART MCGREGOR, Edmonton
* President and Managing Director,
Numac Oil & Gas Ltd.

W. HAROLD REA, Toronto
* Chairman, Great Canadian Oil Sands Ltd.

E.R. ROWZEE, Sarnia
* Chairman of the Board, Polysar Limited

I.C. RUSH, Sarnia
** President and Chief Executive Officer,
Polysar Limited

F.H. SHERMAN, Hamilton
President and Chief Executive Officer,
Dominion Foundries and Steel Limited

RON W. TODGHAM, Windsor
** President, Chrysler Canada Ltd.

F. CAMERON WILKINSON, Vancouver
President, Wilkinson Company Limited

* Member of the Executive Committee

* Member of the Audit Committee

Officers

E.R. ROWZEE
CHAIRMAN OF THE BOARD

I.C. RUSH
PRESIDENT AND CHIEF
EXECUTIVE OFFICER

R.S. DUDLEY
GROUP VICE PRESIDENT
Rubber and latex

G. BRACEWELL
VICE PRESIDENT
Corporate finance and planning

E.J. BUCKLER
VICE PRESIDENT
Research and development

C.A. MCKENZIE
VICE PRESIDENT
North and South America operations

J.R. PROVO
VICE PRESIDENT
Plastics

H.W. SUTERS
VICE PRESIDENT
Building systems

W.J. DYKE
SECRETARY AND CHIEF LEGAL OFFICER

M.E. ERLINDSON
CORPORATE TREASURER





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